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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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APR 21 1997

Federal Communications Commission
Office of Secretary

In the Matter of)
)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)

To: William F. Caton, Acting Secretary

MEMORANDUM OF ORAL EX PARTE PRESENTATION

Pursuant to Section 1.1206(a)(2) of the Commission's Rules, this memorandum summarizes an oral ex parte presentation in the captioned proceeding. The presentation was made to James Coltharp, Special Counsel to Commissioner James Quello, on April 18, 1997. The presentation was made by: (a) Kenneth Whitton, Executive Vice President, and Kathy Yeager, Manager, Regulatory and Industry Relations, Lufkin-Conroe Telephone Exchange, Inc. (LCTX); and (b) Benjamin H. Dickens, Jr. of the law firm of Blooston, Mordkofsky, Jackson & Dickens, Washington, D.C., counsel for LCTX.

The presentation concerned universal service issues as they apply to LCTX, which is a rural telephone company. The issues are described in the enclosed Attachment which was distributed at the presentation.

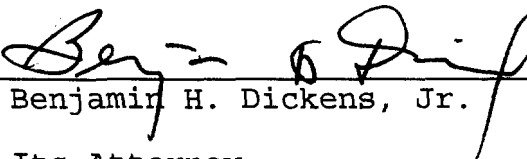
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Pursuant to Section 1.206(a)(2), this memorandum and one copy are being submitted to the Secretary, and a copy is being delivered to James Coltharp.

Respectfully submitted,

LUFKIN-CONROE TELEPHONE EXCHANGE, INC.

By 
Benjamin H. Dickens, Jr.
Its Attorney

Blooston, Mordkofsky,
Jackson & Dickens
2120 L Street, NW
Washington, DC 20037
(202) 659-0830

Dated: April 21, 1997

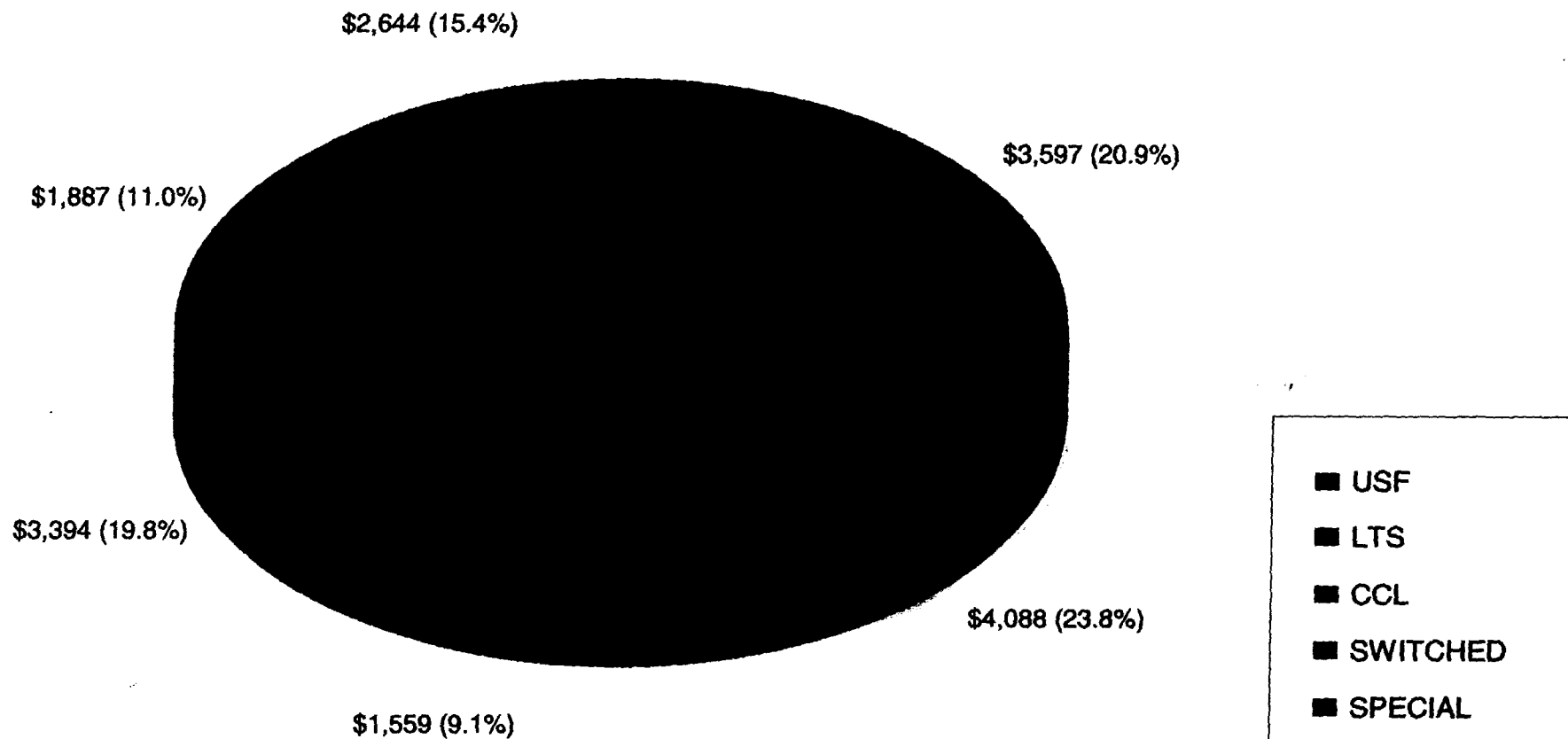
ATTACHMENT

AGENDA

1. Background
 - History
 - Purpose
2. Revenue Sources
 - USF
 - LTS
 - CCL
3. Funding
4. Closing

LUFKIN-CONROE TELEPHONE EXCHANGE, INC.

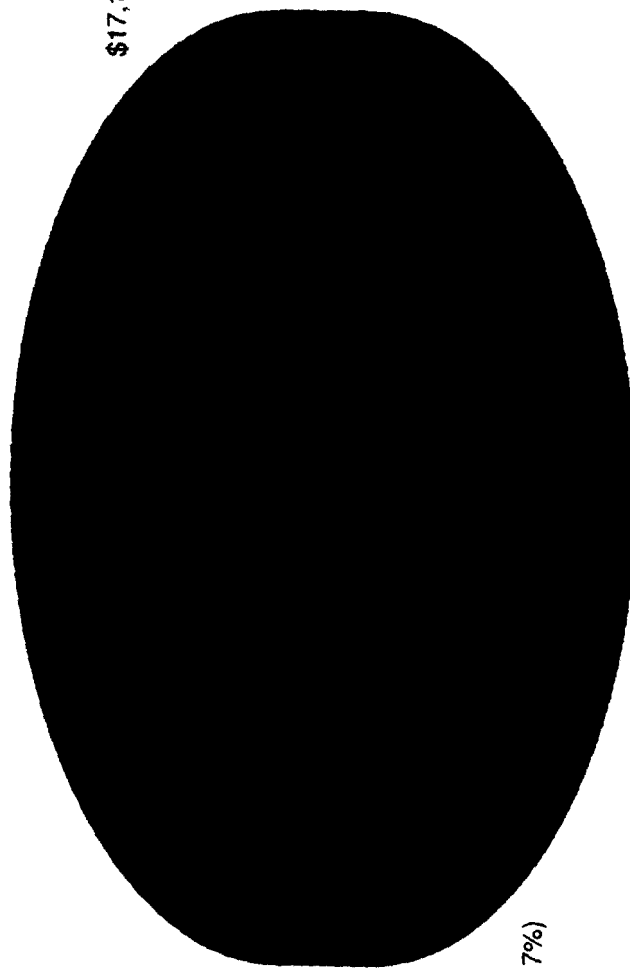
INTERSTATE REVENUE SOURCES (\$000)



- USF
- LTS
- CCL
- SWITCHED
- SPECIAL
- END USER SLC

LUFKIN-CONROE TELEPHONE EXCHANGE, INC.

TOTAL REVENUES (\$000)



■ TOTAL INTERSTATE REVENUE
■ TOTAL REVENUES

USF FORMULA PER JOINT BOARD RECOMMENDATION

1997 PAYMENTS
BASED ON 1995 COSTS = USF PER LINE
1995 USF LOOPS

USF SUPPORT = 12/31/96 LOOPS (SINGLE LINE
RES LESS 2ND LINE ESTIMATE +
SINGLE LINE BUSINESS)

\$3,596,548
86,652 = \$41.51

\$2,253,380 = \$41.51 x 54,291

\$3,654,950 1996 USF SUPPORT

\$2,253,380 PROJECTED USF SUPPORT

\$1,401,570 ANNUAL SUPPORT REDUCTION

\$40.60 ANNUAL INCREASE TO 2ND RESIDENTIAL LINES AND MULTI-LINE BUSINESS

\$3.38 MONTHLY INCREASE TO 2ND RESIDENTIAL LINES AND MULTI-LINE BUSINESS

NO LCTX SPECIFIC INFORMATION ON NUMBER OF 2ND LINES BUT INDUSTRY
STATISTICS ASSUME BETWEEN 20 AND 25 PERCENT OF THE ACCESS LINES ARE
SECOND LINES.

PROBLEMS WITH EXCLUDING SECOND LINES

1. No tracking mechanism to identify where second lines are located.
2. Customers can use multiple names for service installation. Homes where a principle residence is located could be in one name and a vacation home could be in another name.
3. Vacation home and principal residence could be served by two different telephone companies.
4. Customers will subscribe to service from multiple providers to avoid paying the additional support required by this methodology.
5. Service representatives will be forced to ask probing personal questions at installation to determine whether the customer wants to install an initial or second line.

PROBLEMS WITH INCREASED SLCS ON SECOND LINES

1. A second line will first have to be identified before the increased charge can be applied.
2. No way to accurately police the application of charges.
3. Customer confusion over disparity in rates.

LUFKIN-CONROE TELEPHONE EXCHANGE, INC.
SUPPORT SOURCES

	SUPPORT	ANNUAL	MONTHLY
LTS	\$2,644,153	\$29.77	\$2.48
CCL FLAT RATE CHARGE TO IXCS PER ACCESS LINE	\$1,886,919	\$21.25	\$1.77
FUNDING SHORTFALL PER ACCESS LINE ASSUMING \$15 BILLION	\$5,625,992	\$64.93	\$5.41
SHORTFALL	\$10,157,064	\$115.95	\$9.66

FUNDING

	LCTX CONTRIBUTION	%TOTAL INTERSTATE REVENUE	ANNUAL PER LINE	MONTHLY PER LINE
10 BILLION FUND	\$3,750,661	21.85%	\$43.28	\$3.61
15 BILLION FUND	\$5,625,992	32.77%	\$64.93	\$5.41
20 BILLION FUND	\$7,501,323	43.69%	\$86.57	\$7.21

**LUFKIN-CONROE TELEPHONE EXCHANGE, INC.
RATE ANALYSIS WORKSHEET**

	RESIDENCE BASIC RATE AND TOUCH TONE	RESIDENCE RURAL RATE AND TOUCH TONE	BUSINESS AND TOUCH TONE	TRUNK AND TOUCH TONE
AREA 1	\$7.35	\$15.85	\$14.75	\$22.10
AREA 2	\$8.15	\$17.25	\$15.70	\$23.50
AREA 3	\$9.40	\$17.90	\$17.05	\$26.00

	INCLUDING SLC \$3.50	INCLUDING SLC \$3.50	INCLUDING SLC \$3.50	INCLUDING SLC \$6.00
AREA 1	\$10.85	\$19.35	\$18.25	\$28.10
AREA 2	\$11.65	\$20.75	\$19.20	\$29.50
AREA 3	\$12.90	\$21.40	\$20.55	\$32.00

USF MONTHLY SHORTFALL PER ACCESS LINE PER MONTH \$3.38

AREA 1	\$14.23	\$22.73	\$21.63	\$31.48
AREA 2	\$15.03	\$24.13	\$22.58	\$32.88
AREA 3	\$16.28	\$24.78	\$23.93	\$35.38

LTS, CCL, FUNDING SHORTFALL PER ACCESS LINE PER MONTH \$9.66

AREA 1	\$23.89	\$32.39	\$27.91	\$37.76
AREA 2	\$21.31	\$33.79	\$28.86	\$39.16
AREA 3	\$22.56	\$34.44	\$30.21	\$41.66